



Why Do Chief Executives Fail?

Global chief executive turnover has reached record levels for the second year in a row. The fifth annual Booz Allen Hamilton survey of chief executive turnover¹ found that 15.3% of chief executives left their positions in 2005, 70% more than 10 years before. Significantly, Booz Allen estimated that one-third of all departures were performance-related (i.e. where the chief executive was forced to resign because of either poor performance or disagreements with their board).

While this information is drawn from the world's 2,500 largest publicly traded corporations, our own experience would suggest that this trend is widespread. It is just as apparent in smaller companies and in governmental and not-for-profit organisations as well.

Behaviour not competency is at the root of chief executive failure

A common explanation for this trend is that boards of directors are becoming more responsive to stakeholder and regulatory pressures, and thus are likely to be more demanding in their expectations of chief executives and more proactive in ousting those who are underperforming.²

But why do so many chief executives fail to the extent that their boards do need to replace them? In almost every case, when their chief executives were appointed, boards have gone to great lengths to assess the competence of potential candidates.

From our experience chief executive failure is seldom a question of intelligence or competence per se; it is largely behavioural. By far the greatest proportion of chief executives whose decline we have observed or have been told about, fail not because of what they know, but because of who they are and how they act in certain situations. David Dotlich and Peter Cairo in their book *Why CEOs Fail*³, conclude that most chief executive failures occur when smart and well intentioned leaders act in illogical, idiosyncratic, or irrational ways. Under the type of stress which is commonly experienced in the top job chief executives unwittingly behave in a way that sabotages their jobs and even their careers.

We have found Dotlich and Cairo's book a particularly useful tool for identifying and addressing patterns of chief executive behaviour that may become dysfunctional, particularly when chief

executives are under stress. While written to assist chief executives wanting to identify and manage what the authors refer to as 'derailer' behaviours, this book is equally valuable for boards wanting (and needing) to be more effective in guiding and managing the performance of their chief executives.

Good boards understand that their success is almost indistinguishable from that of their chief executives'. They need their chief executives to succeed. Few boards, however, are truly effective in their chief executive performance management role. Chief executives seldom get timely performance feedback (particularly about behaviour) that would enable them to avoid the pitfalls we describe in the following sections. Boards thereby fail both their organisations and their chief executives. The vast majority of boards, if armed with knowledge of the types of behaviour we describe, would be better equipped to intervene with their chief executives in ways that would 'save them from themselves' rather than simply increasing the stress, exacerbating the self destructive behaviour and ensuring an unhappy outcome.

The Seeds of Chief Executive Failure Lie in 11 Dysfunctional Behaviours

According to Robert Hogan⁴ there is a considerable consensus regarding the nature of the dysfunctional dispositions which can afflict chief executives. Dotlich and Cairo describe these in terms of 11 separate categories. They suggest that any given chief executive is likely to be susceptible to at least 2 or 3 of these. These separate categories also gel with our own observations of chief executives under stress and increasingly at odds with their boards. Building on Dotlich and Cairo's explanations we will describe each of these in turn.

1. Arrogance

A blinding belief in the correctness of their own opinions is a common weakness among chief executives. There is a fine line between confidence and over-confidence and chief executives are particularly prone to 'overbalance'. The higher up an organisation an individual is promoted the more likely it is that people will be inclined to tell a chief executive what they think s/he would want to hear. That, when chief executives start to project this assessment themselves, it turns people off, is the least of the problems that flow from arrogance. Of far greater danger is the tendency of a chief executive's arrogance to distort their view of reality. Other consequences of arrogance include:

- A diminished capacity to learn. These chief executives interpret the data to conform to their own strongly held views. Their arrogance also discourages others from giving them valuable contrary information.
- A refusal to be accountable and resistance to change follows from an unshakeable certainty that 'I am right and everyone else is wrong!'
- An inability to recognise their own limitations. These chief executives believe they can do everything better than anyone else.

- The alienation of key supporters. Chief executives need a supportive board and a good executive team around them. The eventual reaction of these essential supporters to a chief executive's obsessive certainty ranges from indifference to active opposition.

2. Melodrama

To exert influence a chief executive must be able to command attention. Many chief executives feel compelled to live 'larger than life'. Melodrama, involving exaggerated emotion or action, occurs when a chief executive goes too far; when the way they act becomes dramatically 'over the top' and detracts from the message their highly theatrical 'performance' is intended to convey. One symptom is when a chief executive delivers emotion charged messages a little too often and becomes seen as little more than 'an act'. Other consequences of melodramatic behaviour include:

- Loss of focus – losing sight of what is important whilst aiming to impress, motivate or attract attention.
- Separation from others, especially those who are naturally quieter and less assertive, suggesting to others that their opinions are not wanted or needed.
- The chief executive's tendency to bluster and rhetoric make open, honest dialogue and problem solving difficult if not impossible.
- They 'talk a big game' but do not deliver on their promises - elevated expectations are not met. People often feel they have been misled.

3. Volatility

The volatile personalities of some chief executives are legendary – their dramatic mood swings are the basis for enduring organisational folklore. At their best these chief executives can motivate and energise an organisation in a very positive way. At the same time, their negative, bad tempered phases are excused as 'the price you pay'. Volatility in a chief executive, however, creates unpredictability and risk that can immobilise other key staff. While they exude great energy themselves they can drain it from others. The effect can be intimidating and create real fear and trepidation as people wait for the inevitable 'explosion'. Boards themselves are not immune from the damaging effects of this – tough issues that may trigger a chief executive outburst are avoided. Volatility has a number of other consequences:

- Fear of unpredictable outbursts means that people withhold information and avoid discussing certain subjects. Decisions are made on the basis of incomplete information.
- People put a great deal of energy and attention into 'mood management' trying to adjust their behaviour to the mood of the chief executive.
- People become increasingly distant – they make an effort to keep out of the chief executive's way 'just in case'.

4. Excessive caution

The difference between prudence and over analysis is not great. In response to anxiety and stress, chief executives are increasingly vulnerable to the temptation to delve deeper into the data. And there is far more data to delve into! The consequent delays in decision making may mean that a problem spirals out of control or a critical opportunity is missed. The problem occurs when a chief executive becomes routinely and philosophically cautious rather than situationally prudent.⁵ Other consequences include:

- The chief executive shying away from actions that only s/he can take and which are vital to organisational health.
- The apparent tendency to dither keeps others from getting on with their jobs. The board and staff become frustrated and/or lose confidence.
- The chief executive makes a show of action on things that entail little risk and which don't address the real problems (many 'restructurings' are in this category).
- People don't know where they stand. Highly cautious chief executives are likely to stay on the sidelines rarely stating a firm view in case it is contentious.
- The organisation just drifts along rather than moving purposefully towards and objective.

5. Habitual distrust

Trust is a crucial ingredient in organisational and team success and there is much to be suspicious of in today's highly competitive, transaction driven organisational environments. There is an important difference, however, between healthy scepticism and virulent suspicion and distrust. A chief executive who does not trust spreads this feeling to others in the leadership group, including the board. Mistrust can be self-fulfilling; ultimately this feeling may derail the whole organisation. Among other consequences:

- Management is progressively weakened. The chief executive gradually replaces people around him/her with those who are loyal but whose competence may be in doubt. The time and energy of the executive team, and the board, is increasingly expended in obsessive and unproductive diatribes on the object of their distrust.
- Important information is withheld.
- Relationships with key stakeholders deteriorate. It is difficult to forge alliances with others when there is scepticism about their motives. A siege mentality easily takes hold; everything is explained in terms of 'them and us'.

6. Aloofness

Many effective chief executives keep some distance between themselves and the people they work with. Aloof chief executives under stress can, however, become withdrawn, isolating themselves during crises or from people who desperately need their guidance. Aloofness

becomes a problem when it isolates a chief executive from key internal and external people. Other consequences include:

- The chief executive 'disappearing' when the heat is on.
- Strong feelings are ignored and it is hoped that conflict will just go away.
- People are unmotivated because these chief executives tend to ignore the value of non-financial rewards (e.g. 'pats on the back', celebration of achievement, emotional connection, etc).
- People stop working as hard as they might because there is no sense of urgency or dedication to achieving certain results.
- Because the chief executive is difficult to talk to there is uncertainty about what the chief executive has in mind – leading to false assumptions and miscommunication.

7. Mischievousness

Some chief executives have tremendous capacity to challenge the status quo in their organisations. Offsetting their enormous creativity and capacity to see things differently, however, is that such chief executives often act impulsively. They tend to 'stir things up' for the sake of it and without considering the impact of their actions. They often behave as if 'the rules' don't apply to them relying instead on charm and personal style to get them through. Other consequences include:

- Behaviour that is often inconsistent with the 'gravitas' expected of a chief executive. It may appear that they are taking things too lightly.
- Because they are often very engaging personalities they don't take the time to win people over. Their relationships are superficial. Their actions may even alienate people who would otherwise be loyal to them.
- Their commitment is questioned and their influence is diminished.

8. Eccentricity

Some chief executives are simply 'a little weird'. So long as they are merely idiosyncratic - a tolerable behaviour – and generate ideas and deliver results, they are tolerated. When things aren't going well, however, eccentric chief executives are irritating, at best. The problem again is that there is a fine line - in this case between the chief executive being perceived as innovative, even adventurous, and completely ridiculous. The consequences of this are that:

- Eccentric chief executives confuse and confound people with their style. For example, they are often unfocused and find prioritisation difficult. Each and every rapid fire idea seems to be as critically important as the previous one.

- While they do have many great ideas and launch many initiatives, few get implemented or followed up. Partly this is because chief executives who are really eccentric are often stubborn individualists who find it difficult to collaborate and cooperate with others.
- Chief executives who are really eccentric are not taken seriously as leaders. Their behaviours give a completely different message. Unfortunately this means that their colleagues become cynical about them and do not hear and pick up on the ideas that should get more traction.

9. Passive resistance

Superficially, some chief executives seem to be effective leaders who are pragmatic and adept at organisational politics. However, underlying this according to Dotlich and Cairo is 'unconscious duplicity'.⁶ For example, these chief executives may appear to be in full support of a proposal but when it comes to the crunch they are not. Many chief executives play their cards close to their chest but passive resistance goes further – it is reflexive, ingrained behaviour with a disconnect between the expectations a chief executive creates and the reality of what s/he delivers. Other consequences include:

- Confusion, disappointment and even anger over expectations that are unmet.
- There is growing cynicism and distrust and diminishing confidence in the chief executive's leadership.

10. Perfectionism

Most people would never reach the position of chief executive if they hadn't learned to compromise along the way. However, the tendency to perfectionism can still 'sneak through'. Perfectionist chief executives can get so wrapped up in the little things that they are oblivious to the big picture. Locked into the detail they lose sight of the end-game. Typical consequences include:

- Difficulty with delegating, intervening and 'taking over' aspects of subordinates' work thus disempowering them.
- Delayed decision making and poor quality control. These chief executives have a reluctance to let go of any task until it is perfect. Subordinates feel less invested in the quality of their own work because they know that 'the boss is going to redo it anyway'.
- Poor strategy selection and a distorted sense of what is important. An obsession with the detail often means that a chief executive cannot see 'the woods for the trees'.
- Discomfort with ambiguity. They struggle to impose structure on a chaotic situation for the sake of conceptual 'neatness.'
- A focus on form rather than substance. Chief executives exhibiting this behaviour can also appear superficial – apparently only interested in 'appearances'. Their people and their feelings and reactions are neglected.

- Even greater stress. When things are not going well the chief executive responds by trying to do things even more perfectly resulting in further stress.

11. Eagerness to please

It might be assumed that, because of their positions, chief executives don't have to worry about what other people think. In fact many chief executives rise to their position because they are extremely effective in giving people what they want. Chief executives who are 'pleasers' can be very popular but they tend to be averse to conflict and to disregard or avoid acknowledging contrary opinions that need to be heard. These characteristics often lead people to conclude that their chief executive 'isn't tough enough to run this organisation.' Other consequences include:

- Uncertainty about where the chief executive stands on important issues because s/he gives different messages to different people.
- Conflicting promises are made leading eventually to a loss of support and loyalty – exactly the opposite of what the pleaser intends to achieve.
- Tough executive and organisational performance problems are allowed to go unresolved. The 'pleaser' chief executive shies away from one of the most crucial aspects of their role – making the hard calls on people.
- Special 'accommodations' reached with individuals, irrespective of merit, lead to factionalism, fragmentation and cynicism.

So what?

In one sense, these are characteristics which we all have. We are also conscious that our own behaviours reflect some of these tendencies from time to time. We suspect most readers will also experience more than a glimmer of recognition of these tendencies in themselves.

Rather it is a question about what the consequences might be if, and when, these aspects of our behaviour become dysfunctional. Unfortunately there is a common pattern that we see repeated often when one or more of these behavioural tendencies get out of balance. Boards (and the chief executives themselves) fail to recognise these behaviours for the risks they pose and may even decide, explicitly, to tolerate an excess of one or more as the 'price that must be paid'. Consequently, boards fail to coach the chief executive in a timely and appropriate manner until, when it is practically too late, they intervene. A board's belated intervention often does little more than to add further stress to an already strung out chief executive, exacerbating the undesirable behaviour(s). A vicious cycle is set up that has only one likely outcome – a damaged and possibly destroyed chief executive and a distracted and drifting organisation.

While we have briefly described the characteristics of the 11 derailing behaviours and a range of typical consequences, we recommend a closer reading of Dotlich and Cairo's book. It not only addresses the behaviours in a more detailed fashion but suggests a wide range of possible actions that could prevent these behaviours becoming dysfunctional and ultimately the cause of failure. Happily, the authors also include a section on 'why CEOs succeed'! We recommend it strongly to both chief executives and their boards.

- 1 http://www.boozallen.com/home/services/services_article/3744370?lpid=66005
- 2 See, for example, Directors & Boards e-Briefing June 2006
- 3 David L. Dotlich and Peter C. Cairo (2003) Why CEOs Fail: The 11 Behaviors That Can Derail Your Climb to the Top - and How to Manage Them. San Francisco, Jossey-Bass.
- 4 Robert Hogan, Foreword, In Why CEOs Fail: The 11 Behaviors That Can Derail Your Climb to the Top - and How to Manage Them, op cit, p xv.
- 5 Dotlich and Cairo. Op cit, p. 43.
- 6 Dotlich and Cairo. Op cit, p. 104